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Towards an Effective Real Estate Agency Education: A Stride to Efficiency in Nigeria

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Abstract

Real estate agency has been relegated in academic curriculum of Estate Management Programme in Nigeria. This partly accounts for few research efforts in the field compared to what is obtainable in the UK, US and Asia. This research therefore aims at examining the practice of real estate agency amongst the professionals' viz-a-viz curriculum of study obtained while they were undergoing training. 159 Estate Surveying firms and 91 Property Development Companies in Lagos were studied. Relative Importance Index and Chi-Square test set at the 0.05 level of significance were adopted for the analysis. It was found that multiple agency was the most practiced which was also fraught with inefficiencies. The study thereby advocated a modification of agency practice through review of curriculum and commitment of both agents and principals in order to eradicate the identified inefficiencies. It also called for focus on the neglected real estate agency research among Nigerian researchers.

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1. Introduction

Agency is described as a relationship existing between a principal and an agent, where an agent is given rights of authorization from the former to act on his behalf. Such relationship could be established when principals are convinced that the involvement of agents will produce more effective returns usually due to their vantage in training, commitment and conversance in the prescribed endeavour.

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Agency, which is also described as brokerage service, has been studied in real estate in relation to the impact of broker intermediation on selling price and duration, Jud (1983), Jud and Frew (1986), Jud, Seaks, and Winkler (1996), Zumpano, Elder, and Baryla (1996), Elder, Zumpano, and Baryla (1999, 2000), Rutherford, Springer, and Yavas (2005), Huang and Rutherford (2007), Rutherford, Springer, and Yavas (2007), and Turnbull and Dombrow (2007). Notwithstanding the relevance of training in agency, which is an aspect of real estate practice, its eminence in academic curriculum is still sparse. Agitations on this backdrop have been on over the years. Rabianski and Black (1999) noted that questions have been raised by professionals on relevance and effectiveness of the current undergraduate curriculum to the practice of Estate management in the United States and reiterated that a lot still needs to be done to further improve the effectiveness of the current curriculum. Perhaps, the glitch facing estate agency curriculum is the dichotomy in schools where the training of future real estate professionals is being housed. Manning and Roulac (2001) pointed out that real estate academic programs in the United States are often domiciled in the business schools and usually focused on finance and investment while real estate programs in the United Kingdom, Australia and New Zealand focused on built environment and are housed outside the business school. Schulte, Schulte-Daxbox, Holzmann and Wiffler (2005) reveal that real estate programs in Europe center on the physical aspect of real estate (construction technology and engineering) while in the United States real estate profession include asset management, investment finance and related issues dealing with the consumption of space over time. In Nigeria where it is being housed in the environmental faculty, its curriculum majorly centres on feasibility and viability appraisal, valuation, property and facility management, development and planning amongst others. Even within regions and countries disparate approach of impartation does exist. Weeks and Finch (2003) in related findings of earlier research, Epley (1996), discovered that at the graduate level, the course description, text, course assignments and qualifications of instructors varied widely at the schools offering a terminal degree while the field examination questions revealed a significant difference in emphasis. Even these teachings according to Hakfoort, Berkhout and Manshanden (2003) are usually done with the aid of textbooks with little or no practical participation by students. The need for training of agents was ascertained in the research carried out by (Munneke and Yavas, 2001; Allen, Faircloth, Forgery, and Rutherford, 2003; Johnson, Zumpano, and Anderson, 2008). The researchers discovered that differences among brokerage firms and or their agents suggest the possibility that some homes sell at premium prices and over a shorter time horizon than is the case with other broker-assisted transactions handled by less skilled or motivated agents. Hence, buyers and sellers may not be indifferent with respect to their choice or use of sales people which might prompt them to seek out ways to identify the more skilled and more highly motivated agents. Property developers in Singapore have been found to assess the strengths of marketing agents before appointing them, while the latter also flaunt their strengths in order to secure agency jobs (Pheng and Hoe, 1994). Black and Rabianski (2003) in an attempt at defining a body of knowledge in real estate surveyed 376 individuals around the world with the use of two sets of open ended mailed questionnaire to the international membership section of various associations where respondents were asked to list the twenty-four topics considered germane for the real estate education and professional practice. They realized through the study that there appears to be no clear cut consensus on the boundary lines of the discipline either academic or professional. Hakfoort, Berkhout and Manshanden (2003) chronicled a two-year commitment embarked by the board of directors of the American Real Estate Society (ARES) to study the current state of the body of knowledge for real estate. The study revealed that the majority of academic real estate research is out of touch with the reality of the market place and in most cases in conflict with what those in industries truly find useful. This is not farfetched as in some Nigeria real estate curriculum certain esoteric fields are infused such as magnetism and atomic physics. Black, Carn, Diaz and Rabianski (1996) noted that some basic skills and knowledge such as negotiation skills, information gathering and processing, management of people and processes, communication, problem solving and knowledge about market evaluation and business environment required of an estate surveyor are in most cases not learnt in schools. This imbalance has been reported from the industry base where it was discovered from a survey in the United States that graduates' knowledge was acceptable but their skills were not (Ghyoot, 2000). The skills exhibited will be appreciated when the outcome of their endeavour results to efficiency, notwithstanding the type of agency practice adopted (Ke, Jayne and Isaac, 2009). Researchers have however made recourse to personal development by estate agents via the use of the World Wide Web. Redman (2001) advocated that students tend to enjoy and assimilate information from the internet more easily than from other sources. He went on to affirm that the web gave

undergraduates “hands-on” method of learning about the price, mortgage rate, valuation and location related aspects of real estate that were once limited to textbook coverage or actual practical experience. Born (2003) noted that distributed learning computer assisted, web based resources include visuals, well-organised prints, vicarious and virtual experiences and applications to real-life situations. When such are utilized to its potentials, students learning are facilitated. Thus, the advent of the internet and the expansion of the number of websites pertaining to real estate have improved the ability of instructors to relate class material in real estate principles to the “real world” (Schulte et al. 2005). There are also evidences of the integrated use of the internet to enhance service delivery in the UK as Portals are use to provide content in the form of information, advice and news, links to other businesses including individual estate agency chains, search facilities, and opportunities for registration which support personalization of communication with customers (Rowley, 2005). Improved information technology has been proven to increase the competitive advantages inducing more collaboration and market innovations as evident in Beijing (Ling and Wang, 2006). In Nigeria, the curriculum of estate agency has just a semester when the course is taught out of the nine semesters of normative training in the University. For just this little stint of formal training the professionals in the offing are required to compete with whole lots of “intruders” in practice. Although in Nigeria, Section 25&26 of Decree 24 of 1975 empowers the Estate Surveyor and Valuer in carrying out operations as an estate agent, the Corporate Affairs Commission (CAC), body statutorily empowered for registration of every business outfit in the country, regards estate agency as a business concern and classifies it under general business practice (Akomoledé, 2006; Oni, 2009). This has partly accounted for why non-professionals engage in estate agency. The agency practice is regarded as an all comers’ affairs as lawyers, engineers, accountants and even laymen learned in numeric details carry out this operation. An expression has become synonymous with the estate surveying profession calling every other profession dabbling into agency as quarks. However, there are no clear cut-out edicts granting the estate surveyor and valuer the exclusive preserve of operation even when series of protest has been made to that effect. The best agitations has brought about in Lagos State alone is the recent harmonization of real estate agency practice under the auspices of Association of Estate Agents of Nigeria (AEAN). Knowing fully well that real estate agency practice is an all comer affair as colloquially described in Nigeria, the need for training and re-training of Estate Surveyors and valuers to fully take charge of this area of practice cannot be overemphasized. However, even researches in estate agency and agency education in Nigeria are scarce. As evident, bulk of such research has been done in the UK, US and Asia. It is certain that the performance of estate agency is a function of market environment volatility such as market uncertainty, housing market liquidity and house price changes and not necessarily factors such as firm size and the level of agency fee (Ke, Isaac and Dalton, 2008). The foregoing begins to agitate the minds of the researchers as regards the efficiency of real estate agency practice in Nigeria. Since the hallmark of every agency contract no matter the type, ranging from sole, joint, to multiple, is the successful delivery of interests of principals at record time, the impact of contract types on agent performance and the relation of time on market and selling price together with the complexity between listing price and time on market have been highlighted in earlier researches conducted in the US (Rutherford et al., 2001, 2004; Asabere et al., 1996; Arnold, 1999; Yavas and Yang, 1995). Notwithstanding, the agency contract types evident in Nigeria, how efficient have the “acclaimed professionals” in estate agency fair in the country with respect to the curriculum of study. This forms the crux of this present research.

2. Methodology

The study which is a cross-sectional survey focused on Lagos metropolis due to its vibrant property market. Two sets of respondents were focus of this study. The respondents representing agents were made up of Estate Surveyors and Valuers being the major intermediary in real estate agency. The Directory of the Nigerian Institution of Estate Surveyors and Valuers, (NIESV, 2009) reveals that almost 50% of the head offices of all of Nigeria’s Valuation firms are located in that metropolis. Out of the 270 firms in the study area, the use of a demographic formula by Otte (2006) resulted to a total of 159 Estate Surveying firm representing about 59% of the sample frame was calculated as an appropriate sample size for this study. This represented the total number of questionnaires issued to the first set of respondents. The second study group comprises of property developers. This focus group is relevant as they fulfill a dual role as vendors and purchasers of real estate. They are described as principals that engage the agent.

Property developers are usually categorized into two main categories, namely: private (individual) investors and organizations or corporate investors (Harvey, 1987; Hargitay and Yu, 1993; Isaac, 1998; Cadman and Rosalyn, 1998 and Hoesli and Macgregor, 2000). The private developers are very numerous as every potential property owner could be regarded as a property developer. For this reason, they are not subject to a sample frame. Moreover, they are difficult to reach since most of them do not subscribe to developers' associations. This means that it would be difficult to get a sample frame, of developers. For this reason, private developers are considered an unrealistic study population for this work. On the other hand a sample frame of organizational developers could be secured from the recent publication of the Association of Housing Corporations in Nigeria (2006). Drawing from this list, there are a total of 132 institutional companies /property developers in Lagos Metropolis. The adoption of the statistical model described above (Otte, 2006) gives a total of 91 property development companies, which forms the sample size of this focus group. This represents 69% of the study population, a figure that is not at variance with Nwana's (1981) 40% minimum recommendation. Questions investigated the aspects of market efficiency as regards the ability of estate surveyors in satisfying the interest of their principal particularly if in dire competition with quarks. Based on the aim of this work, questions that centred on the closeness of final selling price to asking price; the speed of sale of property; purchase fall through, were enquired. The limitation of (Ke, Jayne and Isaac, 2009), an earlier research conducted in the UK, of the neglect of principals' (Vendors and purchasers), was put into consideration in this work. The views of respondents were measured in a graded manner, using Likert (ordinal) scales. The data were analyzed by means of weighted average frequencies of which hypothesized results were tested with Chi-Square at a 0.05 level of significance. The study further investigated with the use of RII the importance of the normative training of Estate Surveyors and Valuers in carrying out their role as estate agents.

3. The Result

The research recorded a response rate of about 79.25% from the estate surveyors. Out of the 159 respondents surveyed a total of 126 questionnaires were duly completed and retrieved. The property development companies with a total of 91 questionnaires distributed to them recorded a response rate of 83.5% of which 76 questionnaires were duly filled and retrieved. The research reveals that the predominant commissioning approach to estate agency both from the stance of agents and principal is the multiple agency system. This is attested by respondents, 83% of estate surveyors and 79% of the principal. It was also revealed that estate surveyors had one time or the other been given agency briefs with quarks, about 78% of estate surveyors attested to this while 63% of their counterpart attested to same. A question on instances whereby quarks had been faster in meeting the needs of the principal was posed. Table 1 gives the graphic details of their response.

Table 1: Quarks Meeting Principals' need ahead of Estate Surveyors

| Respondents | Always | Mosttimes | Sometimes | Rarely | Never | RII |
|-------------|--------|-----------|-----------|--------|-------|-------|
| Agent | 18 | 19 | 36 | 15 | 10 | 3.2 |
| Principal | 10 | 13 | 21 | 2 | 2 | 3.625 |

Source: Authors Field Survey 2013

Table 1 reveals levels of inefficiency amongst estate surveyors in meeting the needs of their clients. This happens as revealed from the respondents through inability of closeness of final selling price to asking price; and tardiness in the sale of property. This has resulted amongst others to purchase fall through as attested by both respondents (71% of agents; 61% of principals).

The chi-square test of significance in determining any difference between responses of respondents is deduced as follows:

$$\frac{\sum(O-E)^2}{E}$$

The degree of freedom = (R-1) (C-1)

Expected rate of frequency for each cell = $\frac{\text{Subtotal of Column} \times \text{Subtotal of row}}{\text{Grandtotal}}$

In summary, our chi-square will be

$$\chi^2 = \frac{(18-18.79)^2}{18.79} + \frac{(19-21.48)^2}{21.48} + \frac{(36-38.26)^2}{38.26} + \frac{(15-11.41)^2}{11.41} + \frac{(10-8.5)^2}{8.5} + \frac{(10-9.21)^2}{9.21} + \frac{(13-10.52)^2}{10.52} \\ + \frac{(21-18.74)^2}{18.74} + \frac{(2-5.59)^2}{5.59} + \frac{(2-3.95)^2}{3.95} \\ = 0.0332+0.2863+0.1335+1.1295+0.2647+0.0678+0.5846+0.2726+2.3056+0.9627 \\ = 6.0405$$

For degree of freedom = 1×4

=4df

@ 4df on chi-square table at 0.05 test of significance a value of 9.488 is gotten.

Our computed value of 6.0405 is less than the critical χ^2 value of 9.488 at .05 level. The null hypothesis of no significance relationship is accepted.

Hence, the response of both respondents shows no statistical difference. Both opinion having an RII of over 2.5 (mid value) indicates the inefficiency in real estate agency practice in Nigeria. Another question posed to the estate surveyors was on their view on the curriculum of estate management in the tertiary institution. Majority (about 78%) showed their displeasure while response from a follow-up question indicates request for a revamp in the curriculum. According to the estate surveyors the curriculum should reflect practical issues such as negotiation skills and interpersonal relationship while students should be given practical sessions to convince clients as a criteria for assessment. This is perhaps in line with observation of Black, Carn, Diaz, and Rabianski (1996).

4. Conclusion

The superintendence of estate agency by estate surveyors can start from the grassroots. Orientation needs to be changed as practitioners should not be left to discover mode of operation in this aspect of the profession while in active practice. The issue of training starting from overhauling of our curriculum should commence in earnest. The curriculum should be reviewed at intervals to address topical issues in the field. Having these bases, students will be inculcated with the required skills needed in satisfying the interest of their clients at record time as this will enhance their credibility and invariably promote the efficiency of agency practice. More real estate researchers in Nigeria are encouraged to delve into real estate agency and also devise ways of promoting its practice and not limit their research to areas like valuation and facility management.

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